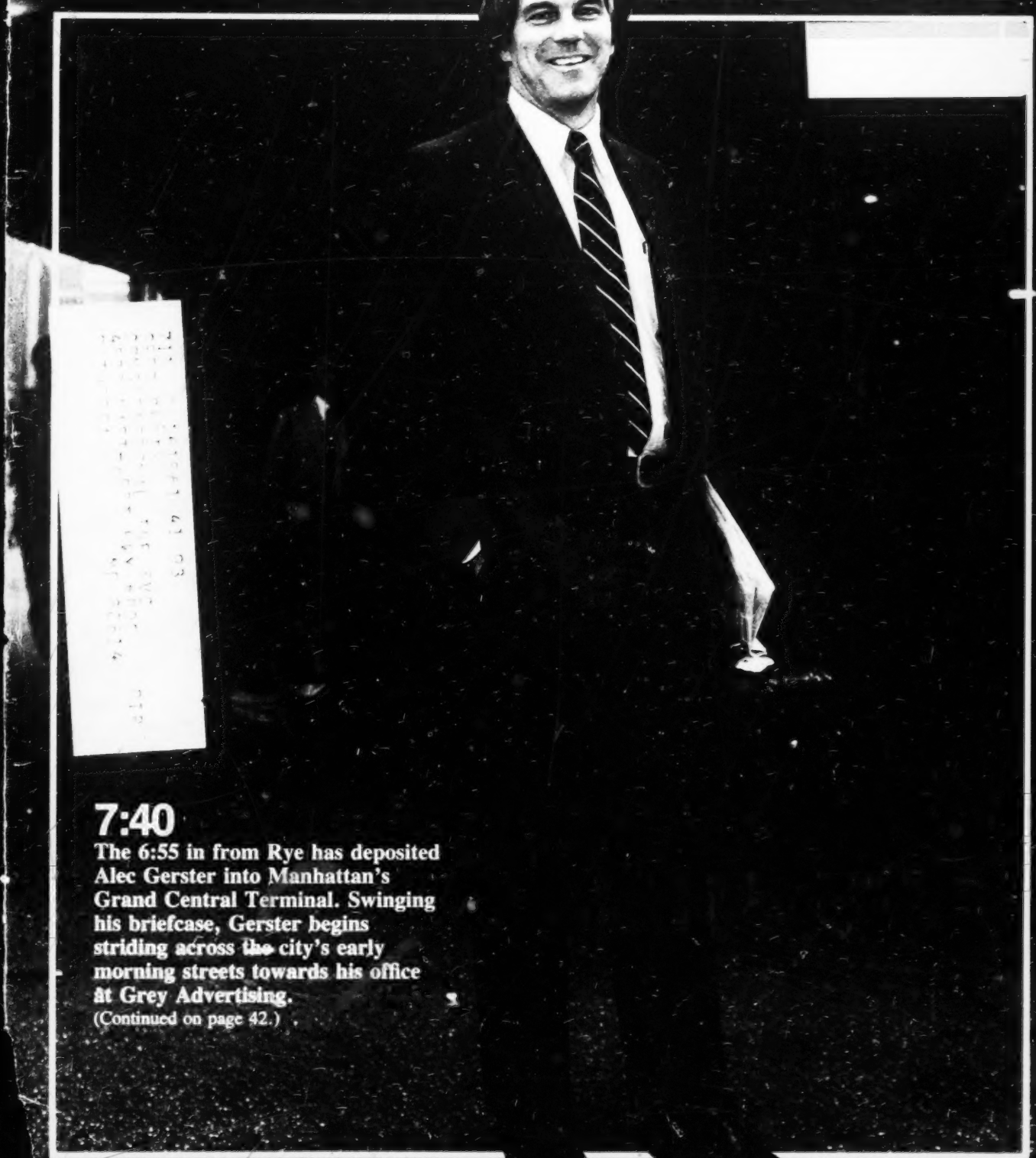
SEPTEMBER 1984 • $3.00

MARKETING & MEDIA Decisions



7:40

The 6:55 in from Rye has deposited Alec Gerster into Manhattan's Grand Central Terminal. Swinging his briefcase, Gerster begins striding across the city's early morning streets towards his office at Grey Advertising.

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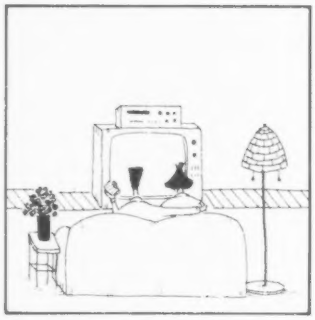

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UPDATE

MRI segments the segments

It wasn't your ordinary press conference at which Mediamark Research Inc., introduced its latest innovation in market segmentation research. Rather, the information on "Consumer Innovators" was presented in a game show format that was a full fledged theatrical production. No slides, no flip cards, no bar charts; instead chairman Timothy Joyce provided a medium with crystal ball, who was no match for the MRI study. (See: *MRI: larger audiences than SMRB*, November 1982, page 74.)

The new MRI study takes the segment of the population known as innovators, and further breaks that category down into five broad product purchase categories: the food and kitchen environment; the home environment; electronics; leisure activities; financial services. On the basis of the MRI data, marketers can obtain precise profiles of consumers who are most likely to buy new products in any of those five categories.

Kirin comes in a keg

Kirin Brewery Ltd., Japan, the world's third largest brewer of beer, is taking its U.S. sales more seriously, with the establishment of a marketing operation located in New York. Kirin USA is also investigating investment opportunities in such fields as biotechnology and pharmaceutical products. (See: *Brand report 76, Beer*, May 1982, page 141.)

In its U.S. beer business, Kirin has introduced a new package to the U.S. market, a two liter minikeg, with a new formulation, Kirin draft beer. The brew in bottles will be available only in restaurants.

More sportscasts, lower ratings

More sporting events and smaller television viewing audiences are what sports event advertisers are getting these days, and indeed paying dearly for the privilege. A report on network sports broadcasts in the past five years from BBDO describes a vicious circle in which advertisers increasingly pay more to get less. (See: *How media recruits the sports fans*, December 1982, page 55.)

The BBDO report shows that the steady decline in sports program ratings is due to over-saturation, the growth of cable, and indirectly, to astronomical player salaries. To meet player salary demands, club owners must receive more for broadcast rights. Those charges are in turn passed along to advertisers. To give broadcasters more games for their money and spread out media costs, new contracts call for more games. This spreads the viewing opportunities and shrinks the audience for each telecast.

In 1983, ABC, CBS and NBC televised 1,402 hours of sports, which was sold to advertisers for a total $565 million. And in 1983, the rating for male viewers over 18 dropped to 6.9, from a high of 9.0 which was achieved in 1980. When audience decline is combined with higher cost, the result is a higher cpm.

Networks and advertisers must halt the practices that are making sports buys an increasingly uneconomical purchase, the BBDO report argues. The report recommends that:

- The number of telecasts of the least-viewed sports (tennis, boxing) should be reduced.
- Only the main events of each sport, not those of secondary appeal, should be telecast.
- Gimmicky sports, such as Challenge sports shows, should be eliminated.
- Pre-season games in pro football should be cut back or eliminated.
- Two network coverages of the same sports, such as college football and basketball, should be avoided.

NETWORK SPORTS EVENTS TRENDS

				MEN 18+		
YEAR	# TELECASTS	HOURS	HOUSEHOLD RATING	VVH	VIEWERS (000)	RATING
1979	628	1,288	9.1	.845	6,330	8.9
1980	638	1,365	8.9	.827	6,610	9.0
1981	598	1,303	9.3	.825	6,600	8.7
1982	613	1,352	8.6	.798	5,930	7.6
1983	643	1,402	8.3	.759	5,510	6.9

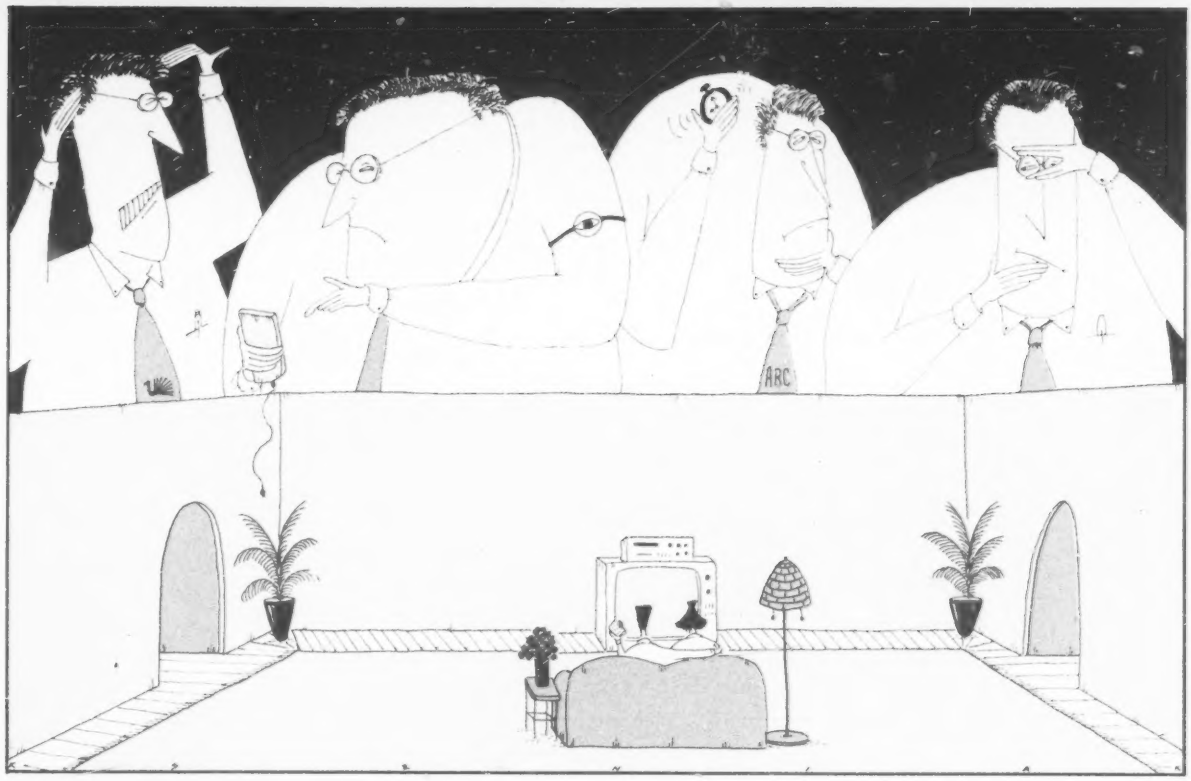
The above table shows the following network trends:

A. Yearly increases in the number of telecasts, except in 1981 when several minor sports declined.

B. Number of hours at highest level in 1983, following increases for the last two years. This was primarily due to increases in the length of tennis matches, pro football games and pro basketball games.

C. A steady decline in household ratings, except in 1981 when high football ratings caused a temporary increase.

D. Men 18+ ratings, audiences and viewers-per-viewing household in steady decline for the last four years.



Mark Kcniak

VCRs: Ogre or opportunity?

Best described in hyperbole, the VCR boom is indelibly altering the media landscape. Zapping and time shifting are catapulting agencies into re-thinking ad strategies to capture what could be a superb core audience for advertisers.

Ron and Suzi are catching up on all their favorite tv shows tonight. As Ron slips the cuisinart bowl into the dishwasher and tidies up the kitchen, Suzi is engrossed in this week's episodes of the daytime soap she missed while at work. Later, Ron joins her in the living room to watch — uninterupted by commercials — last night's premiere of *Hill Street Blues*. Then fast-forwarding through the ads for children's toys and cereals, they linger over a Saturday morning special on wildlife, aired two weeks ago, rerunning the colorful segments on Africa, where they recently vacationed.

Over nine million VCR-equipped households like Ron and Suzi's are deciding for themselves just when and how tv watching best fits their personal schedules. While such attentive, largely affluent viewers are potentially a superb audience for product advertisements, evidence is building that most VCR owners are using the technology to skip over product pitches and messages. Indeed, as VCR usage soars, the media landscape is becoming indelibly altered. Advertisers and agencies are now being forced to devise ways to deliver product messages differently, and in a more attention-getting manner. Says Phil Guarascio, senior vice president and director of media management at Benton & Bowles: "VCRs touch on all the villainous elements representing the most legitimate concerns as to how tv is viewed and the ability to measure viewership. Zapping, time shifting and audience fragmentation are very tangible in their negative impact."

The most marketable features of VCRs appear to be timers which enable viewers to do advance programing of up to eight hours in a given two-week period, and fast-forward devices that make it easy to skip commercials recorded off the air. A.C. Nielsen's recent survey of over 5,000 VCR homes suggests the impact of such features. By time shifting, VCR owners create their own schedules. By renting cassettes, they become their own programers. By

speed search, they become their own director. And they zap out commercials and become their own editor. "Clearly, that such a machine exists will not make advertisers happy," concedes Paul Lindstrom, research manager and author of the Nielsen study.

Advertisers' mouths are likely to turn down even further. Buoyed by an economic recovery and a remarkable consumer fascination with all things electronic, VCR sales are booming. VCR's present future can only be described in terms that approach hyperbole. Industry projections cannot keep pace with that fast-moving market. Between 1976 and 1983, the number of VCR households grew from 30,000 to 9.1 million. In January of this year, the Electronics Industry Association predicted five million units would be sold by year-end. Six months later, the EIA upped that estimate by 70%. As of May, VCR sales had zoomed 85% ahead of the same period in 1983, when 11% of total tv households plunked down $2.5 billion for four million machines, and accounted for $1.1 billion in prerecorded home video fare sales. Currently, VCR penetration of the U.S.'s 84 million tv-equipped households is at 13%. Prognosticators expect that level to hit 20% by year-end (15 million units) and top 50% (over 30 million units) by 1988, when high fidelity VCRs will make traditional audiovisual equipment obsolete.

The VCR phenomenon breaks at the crest of a sales wave surging across all segments of the $23 billion U.S. consumer electronics industry. Spurred by the deregulation of AT&T, sales of telephones jumped nearly 60% to 31 million units, or some $1.3 billion at wholesale. Even audio, in a slump after its 10% to 20% annual growth rates in the 1970's, recovered to enjoy $1.3 billion in sales last year. EIA projects factory sales of audio components will reach $1.4 billion this year; $1.5 billion in 1985. Meanwhile, sales of color tvs, once considered to be a mature product line, climbed 23% in 1983, to 14 million units. By RCA estimates, color tv sales should spiral another 14% this year, to 15.8 million units, as marketers look toward a 50% turnover of tv sets installed in the last three years and households double and triple up on the number of sets they own.

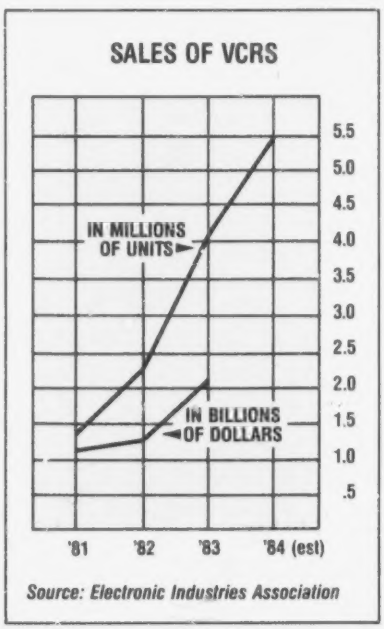
THE OUTLOOK FOR THE VCR MARKET

Year	Sales (millions)	Installed Base (millions)	HH Penetration
1984	6.9	16	19%
1985	8.0	24	28%
1986	8.5	32.5	38%
1987	9.0	41.5	49%
1988	9.5	51	59%

Source: Link Resources, Electronic Industry Association

Also on the upswing are projection tv sales, which the EIA thinks will increase 25% over 1983, to 180,000 units this year. And, forging the whirlwind path blazed by its cousin the video game player, the home computer is expected to double its sales, from $1.3 billion to at least $2 billion in 1984.

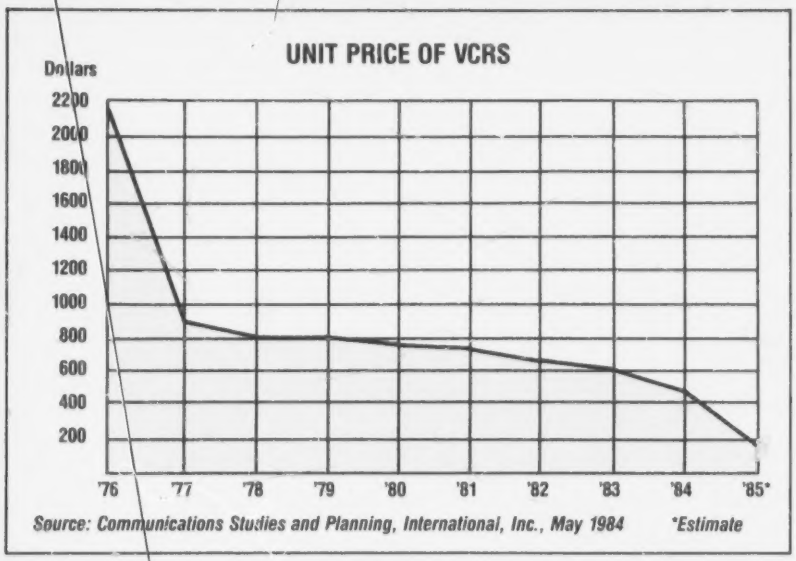
A number of factors are behind the meteoric rise of the consumer electronics category. Feeding Americans' insatiable appetite for gadgetry, many of the products boast new features which intrigue inquisitive buyers, while increased competition is lowering prices in nearly all consumer electronic segments. In particular, VCRs are being tranformed into a low-priced, mass market item. Ampex pioneered the device in 1956, but its VCR was the size of an average garage and cost $50,000. RCA reduced the size and price of the machine, and introduced in 1977, a $1,000 Matsushita-made VHS unit. Since then a bevy of competitors have entered the arena, causing prices to plummet. List prices on VCRs have been slashed 23% since 1982 to a current $491. Discounters sell the machines for far less. When Taiwanese and Korean recorders hit the U.S. market in mid-1985, prices will slide further, a play-back only unit rumored to be in the works for $99.



Source: Electronic Industries Association

Accompanying the proliferation of VCRs are sales of blank half-inch cassettes, which allow consumers to record programs at whim. In 1978, 5.7 million blank cassettes were sold. By 1982 the number was 39 million, up to 70 million in 1983, and is projected to strike 100 million by year-end, according to the research consulting firm, Communication Studies and Planning International. Retail prices of blank cassettes dropped from an average $18 in 1980 to under $10 last year. Sales of prerecorded materials, most notably movies, totaled 10 million cassettes in 1983 for revenues of $1 billion. By 1988, sales in this area should represent $5 billion, claims F. Eberstadt, a media research company, citing, as a factor, the expansion of distribution networks for prerecorded cassettes from regional mom and pop operations to include major chain, retail and mass merchandising participation, all marketing tapes at lower prices.

With growth and revenue projections bullish by even the most conservative estimates, the VCR market is clearly one to be reckoned with. VCRs are changing the way tv is viewed and is particularly aggravating conditions

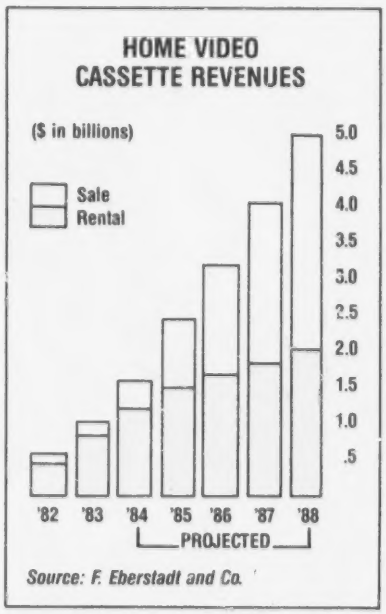


in the pay cable industry which is currently suffering from a severe lag in new subscribership. The growth of pay tv during the first three months of 1984 was less than half the rate in the same period in 1983. Clearly, when consumers can rent film for as little as $2 a night, the appeal of multi-tier subscription on pay will further diminish. While industry analysts concur that the VCR boom will most likely not alter subscribership to the first pay service, consensus is that VCRs could potentially kill subscriptions to the second and third pay tier which are the bread and butter of the pay tv industry.

Advertisers are not particularly flustered about VCR impact on pay tv, which does not accept commercials. But they do express concern that VCRs are affecting the manner in which commercials on broadcast tv and basic cable are viewed.

Consensus among ad agencies is that while advertisers will slip into this profitable market in some manner, the implications of the technology are causing what Russ Booth, vice president associate media director, Grey Advertising, terms "strategic concern." VCRs are generally perceived as part of a series of threats to mainstream tv viewing, "another stream off the river which could dilute available audience," Booth glumly reports.

And what a fertile audience VCRs are diverting! By Nielsen estimates, 60% of VCR owners have an annual income of $35,000 or more; 47% of the male and 34% of the female heads of households completed college; 42% of households have a person under 18; and 44% are in the top ten tv markets. Nielsen found that television remains the primary source of programing among VCR owners, although 75% do rent or buy some prerecorded cassettes. Nearly 83% of VCR users tape from the tv. Indeed, 77% of the users say they bought their VCRs specifically for the purpose of taping off the air. Network programs accounted for almost three quarters of tv taping; cable, a paltry 7.6%. Only 16% of those surveyed identified prerecorded material as their chief source of programing.



VCR owners are taking full advantage of the convenience of time shifting. Only 25% of the viewers polled simultaneously tape and watch a program; nearly 54% did not watch tv while taping, and 21% watched another program while taping. Of all tapes played back within the month of recording, 50% are viewed the same day; 79.8% viewed within one day; 94.3% within five days, and 97.7% within 10 days.

Link Resources found a similar relationship between recording and viewing. Specifically, 63% of the 273 VCR owners queried said they used their VCRs to record while away from home at least once a month; 54% used the VCR to record while watching another show; and 60% said they used the device at least once per month to record while at home but to be watched at a more convenient time. Link also points out a novelty curve factor for use, noting that early purchasers (1982) used their VCRs less than recent adopters (1983). RCA Consumer Electronics similarly found a change in the way consumers use their VCRs over time. "Overall, time shifting continues to dominate use," says RCA group vice president Jack Sauter, "although the extent to which consumers time shift appears to correlate with the length of VCR ownership." In its recent study of 72,000 VCR households, RCA found 59% of users time shift. Within the first year of VCR ownership 53% time shifted; 42% rented or bought movies. In the second year or more of use, time shifting increased to 62%; movie rental or purchase dropped to 22%. This trend may be attributable to limited numbers of taped movies, suggests Sauter.

Time shifting will fragment audiences, say most agencies, and advertisers, they warn, had better heed this trend. "Cable already takes a big chunk out of broadcast's viewing. Now we're going to see another medium impact advertisers and programing," grumbles Dancer Fitzgerald Sample's Beverly O'Malley, vice president and associate media director. "VCRs are going to move in and be part of that fragmented viewing," she adds. N W Ayer's senior vice president and media director Marcella Rosen agrees. "There's been a jockeying for power

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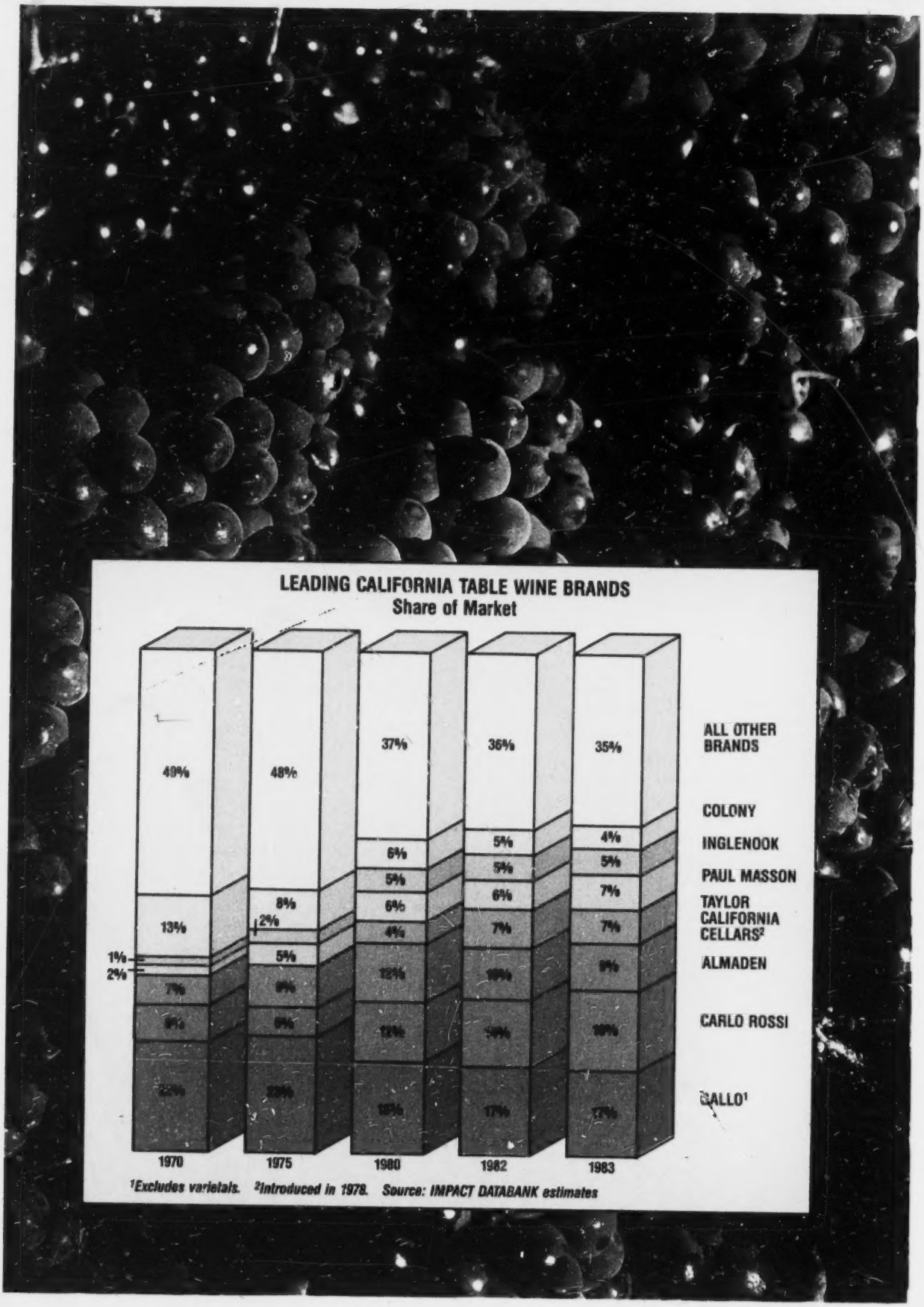
LEADING CALIFORNIA TABLE WINE BRANDS
Share of Market
49%
48%
37%
36%
35%
13%
8%
2%
6%
5%
6%
4%
5%
1%
2%
7%
6%
5%
1970
1975
1980
1982
1983
ALL OTHER BRANDS
COLONY
INGLENOOK
PAUL MASSON
TAYLOR CALIFORNIA CELLARS²
ALMADEN
CARLO ROSSI
GALLO¹
¹Excludes varietals. ²Introduced in 1978. Source: IMPACT DATABANK estimates

Seagram blankets the wine spectrum

With its purchase of Coca Cola's wine unit, Seagram has expanded its brand list to encompass all price tiers. While Seagram won't match Gallo in sales volume, it can give the Modesto vintner a pitched battle in brand marketing and profitability.

When Joseph Seagram & Co. plunked down $200 million for Coca-Cola's Wine Spectrum unit last October, some observers wondered who had gotten the better of the deal. Coke was thought to have bailed out of the wine business at an auspicious time. Industry sales had slowed drastically in 1982 after 12 years of substantial increases, and the outlook was for several more years of limp growth. The recession had sharply pruned sales and gotten imbibers out of the habit even when the economy began taking on a healthier tinge. And when people did buy, they were increasingly reaching for imports, which thanks to a strong U.S. dollar, were a downright bargain. And to prove that when it rains it pours, overly bountiful harvests exacerbated the oversupply situation and touched off a wave of price discounting that is still continuing, unabated. All the excitement about wine becoming a branded market beverage, backed by heavy advertising and marketing dollars suddenly quieted down. Lately, U.S. vintners have found themselves squeezed as hard as their all-too-many grapes.

Photo: Ressmeyer Starlight

Yet Seagram, which markets some of the world's best known liquor brands, is a believer in the long-term future of the wine business. Over the years, it has carefully added to its stable of wine products, which include the well-known Paul Masson labels, Gold Seal, and Barton & Guestier brands, which include the fast growing Parteger and Black Tower products. By acquiring the Wine Spectrum, which includes the popular Taylor California Cellars labels, among others, Seagram accomplished two major goals. It increased its clout by doubling its share of market to become the solidly entrenched number two in the industry, and it gained a comprehensive wine strategy.

Although Seagram does not want to comment on its plans at this time, several points are becoming clear: The company will most likely position Taylor California Cellars as its low-priced wine, promote Masson as its middle price and level drink, and support its imports and aged wines as premium brands. By fielding such a lineup, Seagrams will also be able to duel more effectively with industry kingpin Gallo, who has again and again demonstrated its ability to wear down all competitors.

"With this acquisition, Seagram has shown that it is getting its act together," comments John Stacy, the beverage market analyst for *Beverage World* magazine. "Plus," he observes, "Seagram has a lot of clout in stores from years of selling distilled spirits. Their distribution network is one of the best in the business." Agrees San Francisco market analyst and wine expert Louis Gomberg: "Seagram is highly qualified — more than any other entity I can think of — due to their overall spirits business. They have the personnel to do a first rate job, and they are long-term oriented in their approach."

Stacy even feels that there are certain chinks in Gallo's armor. "They're known for cheap wine," he states. "And liquor store owners say the most deadly comment about Gallo comes from women, who don't want to put a bottle with that label on the table when they're entertaining."

Snob appeal or no, Gallo is the choice of lots and lots of drinkers. The reclusive Gallo brothers, Ernest and Julio, have built up a commanding business. Last year, their products, which range from the low-priced Carlo Rossi jug wines, namesake Gallo brands, André sparkling labels, and top-of-the-line aged varietals, among others, easily outpaced all competitors. Gallo

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brands accounted for 27.4% of total shipments in 1983, compared with Seagram Wine Co.'s 10.8% showing. (Seagram's figures were 5.4% before the Spectrum acquisition.)

Interestingly though, the gap between Gallo and Seagram narrows considerably when looking at retail dollar totals. Here, Seagram took in 13.1% of the total spent last year, as compared with 16.2% for Gallo. On average, the retail price for a 750 ml Gallo bottle is $1.70, versus $3.55 for Seagram.

A break-out of Seagram's wine business by *Impact*, the spirits industry newsletter, shows that Taylor California Cellars accounts for about 35% of sales volume, with Paul Masson filling up about 30%. Together, they contribute only 58% of Seagram's retail dollar sales because they are priced below the wine company's average retail price per bottle.

Certainly, Seagram does not want to tamper with their more profitable equation. It clearly does not intend to challenge Gallo on sales volume, since price would have to be the determining factor. As Dick Maher, president of the Seagram Wine Co. has pointed out, "obviously there's a certain amount of competition in terms of floor space, advertising lines and cold box position, but our brands are positioned quite differently from Gallo's. Our goal," he states, "is to increase share of profits in the wine business, and not necessarily share of volume." This point was underscored when Marc Henrion, chairman of the wine unit, addressed Impact's annual spirits seminar last spring. "The only sales that will last are the sales built with time by the natural market recognition of value, quality and superiority of products," he declared. Responding to questions concerning the acute pricing strategy the industry has adopted to stir a stagnant market, Henrion crisply replied: "The answer cannot be found either in quick expansion of market share obtained by aggressive promotion, or heavy advertising spending."

Indeed, advertising monies for nearly all the wine companies have been sharply cut back, a recognition of the distressed state of consumption patterns. Gallo, though, is the exception. It spent $25.5 million in 1982 on its most heavily advertised, namesake brand and upped that number to $26.1 million last year. Meanwhile, Coke had reduced Taylor California's spending from $14.8 million in 1982 to $3.2 million in 1983. Seagram too, cut the support from Masson some 50% to $7 million by reducing expenditures for Masson light. And it has not been swift in reestablishing media support for TCC. A budget in the $7 million to $8 million range has been promised to retailers, but few see the money being spent.

Don Hughes, the wine merchandiser for the 12,000-store Safeway chain, complains that "there is less advertising overall going on for the industry — and much less tv." And he doesn't think there is enough radio advertising to offset the diminished tv impact. "I'd like to hear more advertising," he says. "I want consumers to have something to think about in regard to wine."

"Seagram contends that expanded volume is not the only rationale for couponing and consumer rebates."

But his wish is not likely to be answered anytime soon. Most are not advertising because their cost of business is already so high. "A lot of sharp guys have met their Waterloo in the wine business," observes Phil Hiaring, Jr., editor of *Wine and Vine* in San Rafael, CA. "You don't make 10% on your investment. If you're lucky, you may make 5%."

Unfortunately, the situation does not seem to be improving much. "The grape industry in this state gets worse every day," laments James Tresize, president of the New York Wine Council. The situation on the West Coast is only slightly better. The California Wine Institute notes that there was a very slight uptick — 1% — in shipments during the fourth quarter, a trend that seems to be holding up. Hiaring,

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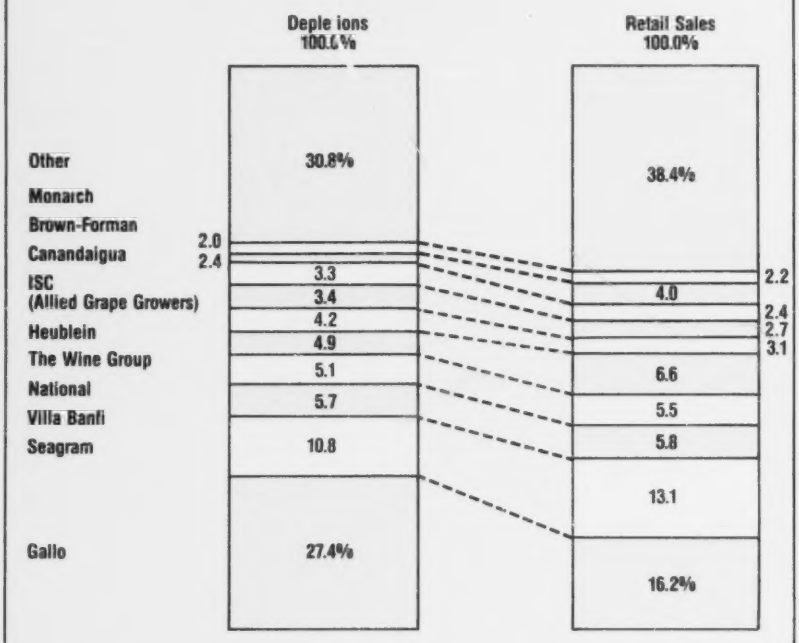
1983 LEADING WINE MARKETERS MARKET SHARE
Comparison Depletions vs. Retail Sales



Source: IMPACT DATABANK

Outlook remains bullish for independent tv

As a group independent stations will tally up more than $2 billion in ad sales this year, and have been more responsible for network audience erosion than any other single force, including cable tv. And as Herman Land, president of the Association of Independent Television Stations proclaims: "This is only the beginning."

Agency BBDO concurs, projecting by 1990 total time spent watching independent programing will leap from the current 18% to 25%. The likelihood is the indy slice of the pie will only get larger, as 25 to 30 new stations a year continue to go on the air, with more than 100 new indies expected to be operational within the next five years.

I-TOP 25 INDEPENDENT STATION/ NATIONAL ADVERTISERS
FIRST QUARTER 1984

COMPANY	INDEPENDENT EXPENDITURES ($000)	INDEPENDENT SHARE OF SPOT TV EXPENDITURES PERCENTAGE
1. Procter & Gamble	$ 34,699	68%
2. General Mills	12,845	79
3. Warner Lambert	8,834	81
4. General Foods	8,767	59
5. Anheuser-Busch	6,965	83
6. A. H. Robins	6,653	55
7. Kellogg Co.	6,398	75
8. Mars, Inc.	6,105	63
9. Pepsico	5,937	43
10. Time, Inc.	5,798	54
11. Lever Bros.	5,353	35
12. American Home Products	4,140	50
13. Coca Cola	4,094	54
14. Toyota Motor Sales	4,035	38
15. Dart & Kraft	4,025	45
16. Nabisco	3,519	49
17. Reynolds Metals Co.	3,296	64
18. Triangle Pub.	3,227	59
19. Wrigley, Wm.	2,789	72
20. Colgate Palmolive	2,733	53
21. Esmark	2,545	56
22. Gillette	2,385	82
23. Bristol Myers	2,382	58
24. Phillip Morris	2,328	43
25. ITT Corp.	2,123	40
TOP 25	**$151,975**	**59%**

Source: TVB Barcume, January-March, 1984
BAR Special 15-Market Tabulation, for Independent Share

Surprisingly, the more sophisticated packaged goods advertisers — the likes of Procter & Gamble and General Foods, have allocated the bulk of their spot tv dollars to independent tv stations for the past ten years, according to Howard Kamin, INTV's vice president of marketing.

"The more sophisticated advertisers know they're getting value for their dollar. We've pointed out that the communication is the same, the delivery is the same, the environment is the same in terms of the kind of people you want to reach. The only thing that is not the same is that we give you more people for the same dollar," Kamin enthuses.

Perhaps the greatest testimony to the profit potential of independent television is the entrance into the market of more and more major league players looking for a cut of the action. Gannett, Outlet and Capital Cities are joining the ranks of Tribune Broadcasting, Metromedia and Chris-Craft Industries, companies which have already discovered just how profitable independent television can be. For example, one recent indy sale, in Houston, carried a price tag of $300 million. The national tv rep firms too are competing head on for the growing business from independent stations. Katz Independent TV Co., early on in the race in 1979, formed a complete full service rep company for indies, "not just an indy rep team," emphasizes Dick Goldstein, its president. Some 22 stations, including the prized Metromedia indy stations are being repped by Katz. Just this past summer, a new rep firm, Independent Television Sales, opened its doors as a rep firm for independent stations only.

"It's only now that we see the emergence of strong operations which

In fact, the sky seems to be the limit as far as the outlook for growth goes. Independent tv stations are now in 81 markets — including 49 of the top 50 — covering more than 80% of the television landscape.

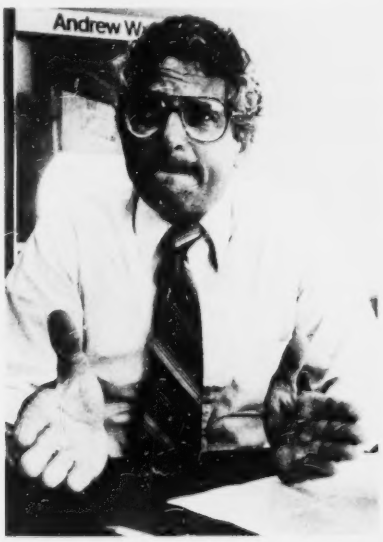
have the financial resources and manpower to mount important new ventures, and you'll see many more of them," predicts Land, whose INTV membership ranks have doubled since 1979, covering 110 of the 209 stations now in service. "That's where a lot of the excitement is, stations combining with producers, syndicators and advertisers in new projects. It used to be that you couldn't mount a successful national programing project unless you made a deal with the networks — now you can with indies as a base."

Today, with their growing numbers and ever-widening market coverage, independent tv stations represent about 65% of programing syndicators' business. "The independent programing schedule is quite different than it was 10 years go," Land explains. "While it remains the home of the best of the network shows, it offers the big feature film packages, sports, more specials and more original programing as well — big league efforts," he enthuses.

Many industry observers, including INTV's president, interpret the Federal Communication Commission's proposed new 12-12-12 ruling on station ownership (12 AMs; 12 FMs; 12 tv stations) as boding well for the future of independent television. Says Land on the new ruling, "On the whole, it will be healthy for independent television and will stimulate interest in expansion, widescale. But the marketplace itself has built-in limitations on availability and price, so it may not go off as swiftly as some people think."

But the Hollywood production community, reading the new ruling as advantageous to the networks, had succeeded at press time, in attempting to block or stall the FCC's new ruling. Hollywood interprets the new ruling as increasing the already considerable power of ABC, CBS and NBC.

As the independent television universe continues its upwards ascent, INTV too is gearing up to better serve the needs of its members, drum up new ad revenue and dispel some old notions along the way.



Herman Land, president, INTV (Left) and Howard Kamin, vice president of marketing, INTV.

"There's still a lack of understanding about indy audiences and what a station can sell, and there are certain accounts which lean only towards network affiliates," acknowledges Katz' Goldstein. "Some advertisers tend to think that people who watch indy stations don't drive Mercedes, don't buy perfume, don't buy airplane tickets. I liken that kind of thinking to the people who grew up on newspapers and would not make the switch to television," he postulates.

For the first time in its 13-year history, the INTV last summer began releasing quarterly ad sales reports using Broadcast Advertiser Reports data. The first BAR performance data for the first quarter of 1984 corroborated what INTV says it knew for along time, that the most sophisticated advertisers are also the heaviest users of independent tv stations. In fact, a number of the top independent tv station advertisers allocated the bulk of their spot tv budgets to indies — Procter & Gamble, 68%; General Mills, 79%; Warner-Lambert 81%; Gillette, 82%; and Anheuser-Busch, 83%. In total, the top 25 advertisers on indy stations allocated 59% of their total spot tv billings to independents, or nearly $152 million during the first quarter of 1984. (See table for top 25, page 62.) For 1984, Kamin projects billings up 16%, and a return to normal in 1985, with billings up 12%.

INTV's Kamin projects a healthy

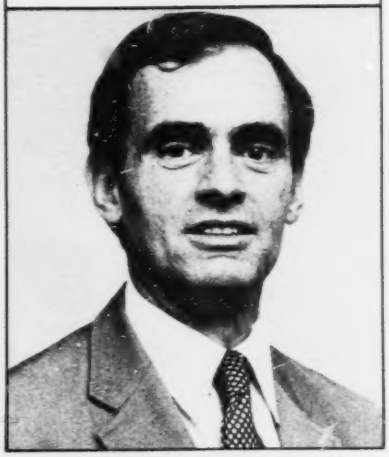
Continued on page 116

weekend time periods, and if they don't include any independent stations programing, the advertiser might be paying a premium for reaching the target adults at significantly less frequency. And the majority of the computer software for media buying has not yet been revised to make the meter data adjustments required.

As much as Arbitron is "qualified" to assist in the numbers calculations, this does not solve the problem for the advertiser who has special timing and target requirements which greatly affect the rate he can negotiate for a given spot on a given television station. And the stations have to be involved from the beginning of the buying and estimating done by the agency. As it stands right now, the agency, not Arbitron, must interpret the meter data and communicate to the stations how it affects the changes in client media expenditures.

So where should the changes in media schedules be made? Cable audiences still don't measure up to Arbitron's minimum reporting requirements for total market penetration. So, this medium can't be the total solution to the concern that affiliates are not delivering the ratings or shares being estimated. Meter data, on the other hand, suggests that programing within dayparts with program titles hard to recall by stations are underrated by previous rating periods. There are changes in shares of adults 25-49 viewing network-affiliated stations in favor of independents. This suggests using more different programs for maximum reach. This recognizes that meters show more fragmented viewing among the same overall number of households using television. ■

RESEARCH
By JOHN S. McSHERRY
Vp., dir. media research
McCann-Erickson, Inc.



Toward better television research estimates

The most recent, comprehensive study of television reach levels was released by the A.C. Nielsen Company in December 1982. It provided a solid base for analyzing reach accumulation patterns for households and various groups of people. Network, cable and spot schedules were reported using data from both metered household and diary panel respondents.

The vast majority of television reach estimates used for media plan analysis and documentation of recommended plans is currently being generated by time-sharing services. Even many buyers of television time with proprietary in-house systems frequently make use of estimates furnished by outside firms. Recently, program modules with packaged programs for reach estimates have started to be released by companies for use with micro computers.

As we move forward with "state-of-the-art" hardware for media analysis, perhaps we should take a look at some of the reach estimates generated from these systems to see how they compare with Nielsen empirical estimates. Does "state-of-the-art" hardware necessarily produce "state-of-the-art" media estimates? What factors should be taken into account for good estimates? Are you aware of the quality of your estimates and their fit for your actual buys?

During 1983, a comparison was made of average reach estimates from four time-sharing systems with a proprietary Agency reach system. The differences in reach levels were considerable. (See Chart A.)

A 44% difference in spot television reach levels was found for late fringe with differences for other dayparts being smaller. Although Nielsen reported spot television reach estimates in the previously mentioned report, it did not seem appropriate to compare these estimates with Nielsen data since there was no certainty that assumptions about commercial rotation could be

A **Indices of average spot television reach levels for households***

Daypart	Proprietary Agency System	Time-sharing system 1	Time-sharing system 2	Time-sharing system 3	Time-sharing system 4
Day	100	108	107	119	115
Early	100	96	101	114	112
Prime	100	106	106	102	115
Late	100	111	95	137	119
Weekend Sports	100	109	105	121	110

* Average reach levels for 50, 100, 150, 200, and 500 GRP's

B **Average reach level comparisons for 8 prime network schedules**

	Nielsen		Proprietary agency system		Time-sharing system	
	W18-49	M18-49	W18-49	M18-49	W18-49	M18-49
Reach	67	59	63.7	54.2	58.4	49.7
Index	100	100	95	92	87	84
# Estimates closer to Nielsen	—	—	7	7	1	1
Average absolute difference in reach points	—	—	3.6	6.1	8.7	10.2

kept constant. One system could assume two commercials per program, another four, etc. The key thing here is that the estimates were significantly different. Higher reach levels will be obtained with more schedule dispersion; lower reach levels with less. Do your spot reach estimates realistically reflect your typical schedule's dispersion?

A closer examination of network television reach estimates was made with Nielsen, a proprietary agency system, and one time-sharing system for all major dayparts. Here it was possible to take into account the number of announcements per program and keep this controlled for comparisons. (See Chart B on opposite page.)

There are those who would ask, "Does it really matter what the reach level is as long as estimates are relative and consistent?" It does matter if we have any expectation of ever understanding the marketing payout of various media plans. As we learn more about frequency response and decay from non-exposure, it is essential that we apply this data to the most realistic reach and frequency estimates to assess the probable impact of alternate media plans.

Factors that should be accounted for with reach estimating systems.

Primitive reach systems exist along with more exacting models that account for major variables influencing reach. Besides weight levels (GRP's), the following factors should be taken into account by daypart:

1. Unique reach accumulation patterns of households and each individual demographic group. Each person group and households accumulate audience at different rates. At low rating point levels, these accumulation patterns will be associated with average rating levels for the different groups; at high rating point levels, reach levels across groups will be more reflective of weekly daypart potential audience relationships (weekly potential can be defined as the percentage of the group that viewed any television in the course of one week). For example in prime time: (See Chart C.)

2. Commercials per program. Program dispersion as reflected by the average number of commercials per program is critical. To illustrate, the following range in reach levels is possible as a function of commercials per program: (See Chart D.)

3. Number of networks or stations. To illustrate the effect of one station or network on the former reach levels which assumed two or three networks, the following reach levels would result: (See Chart E.)

4. Concentration in specific programing types that maximize/minimize reach. Schedule concentration in some program types such as daytime series will limit reach levels. For example in daytime: (See Chart F.)

C **Indices of Ratings and potentials**

	HH	CH 2-5	Women 55+
Avg. rating relationships	100	45	88
Weekly potential relationships	100	90	95

D **Household reach levels — prime (2 or 3 networks)**

GRP's	Commercials: / Programs:	7 / 7	7 / 3	7 / 2
100		62	54	46

E **Household reach levels**

	100% Serials	100% Quiz
100 GRP's	45	50

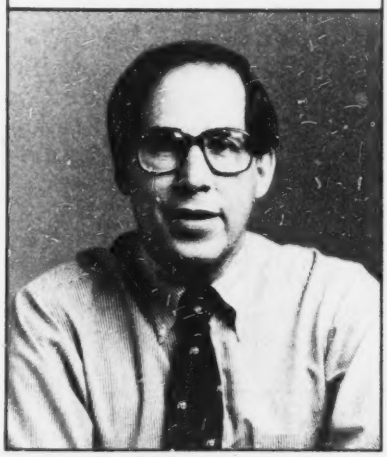
F **Household reach levels — Prime (1 network)**

GRP's	Commercials: / Programs:	7 / 7	7 / 3	7 / 2
100		59	51	44

Speed, volume and reliability

Time-sharing programs offered users speed and the capability of analyzing many media plans in depth. Microcomputer media programs are now offering users new economies in the processing of schedules. I'm afraid that many users have been paralyzed by these systems and the volume of data that they generate. Masses of data are being generated and number paralysis may have stopped users from questioning the reliability of the data. You owe it to your clients and yourselves to stop to take a closer look at the data and its goodness of fit with empirical data. ■

OUTDOOR
By RONALD B. KAATZ
Senior vp, U.S. director of media concepts.
J. Walter Thompson, U.S.A.



On the selling of outdoor: Part II

In Advertising 101, I remember reading that if you used the words "free," "guaranteed results" and "easy to use," your message was bound to get attention.

Building a real desire for your product or service, however, always took extra effort. You'd better have offered some proof that what you were talking about could work.

At last year's OAAA Conference at the Greenbriar, I suggested that the outdoor industry could generate significant new advertising dollars from the cable industry.

- Local cable systems, eager to sign up new subscribers, would find outdoor geographically pinpointed within their franchise areas.

They'd receive high visibility and no waste circulation.

- In terms of creative strategies, it was hard to imagine anything more powerful than a board for a pay service near the entrance to a shopping center (with its four screen cinema) saying: *The Top Movies at Home Cost Less Than the Popcorn!*

Paradise Plus!

GAIN UP TO 87% OF THE VITAL SAN DIEGO COUNTY MARKET WITH A COMBINATION OF DISPLAY ADS AND NONSUBSCRIBER DIRECT MAIL.

Your display advertising in The San Diego Union and The Tribune reaches 55 percent of all the adults in Paradise. This is the primary media buy in this isolated $20 billion market.

You can cover up to 87 percent in San Diego by including "Union-Tribune Plus" with your newspaper advertising program. Here's how it works. Each week a tabloid-size feature section, which includes the top editors and columnists from both morning and evening newspapers, is mailed to non-subscribing households.

Buy both.

Include your preprints or display advertising from your Union-Tribune buy in this special weekly edition and increase your coverage to virtually all San Diego County households.

The cost is surprisingly low. Union-Tribune display advertisers may lift their ROP ad into "Union-Tribune Plus" for only 50 percent of their contract rate. Preprint and non-advertiser rates are equally low. Call Al Larranaga at the Union-Tribune (619) 293-1436 or ask your Sawyer-Ferguson-Walker representative for more information.

The San Diego Union
The Tribune

Member of Newsplan
Represented nationally by Sawyer-Ferguson-Walker

VCRs: *continued from page 50*

between cable and broadcast and now VCRs are another wrinkle in that struggle," she comments. "Time shifting will significantly affect cable and broadcast viewership patterns as well as advertising. When you did a media plan you used to be able to determine your audience based on ratings and past experience. Time shifting makes that determination difficult."

Advertising could either gain or lose an audience, depending on how timely a message is, notes Rosen. "VCR use could take away audience for a show immediately airing if the viewer is watching a prerecorded program. Or, advertisers could gain viewership as VCR users add themselves to the program's audience through recording. The major significance of time shifting is the shift to viewer control," she adds.

Nielsen's finding that nearly half of VCR users regularly skip through commercials during playback is most disturbing to advertisers. More than a third skip through commercials at least 75% of the time. The reason: an impatience with commercials and a desire to get on with the program. "It's not unreasonable to equate VCRs with zapping," comments John Swallen, associate director of media research for Ogilvy and Mather.

Between the ravages of time shifting and zapping, many agencies feel that advertisers may not get their money's worth in tv advertising in VCR households. "Considering that viewers have less than one in three chances of seeing another commercial when simply switching channels out of curiosity, VCR owners' ability to consciously zap commercials will be a big problem for advertisers," says Tathem-Laird and Kudner media research director Audrey Lind-Lessinger.

Agencies suggest that VCRs, in changing the nature of tv viewing, will catapult advertisers into rethinking their commercials' format. "VCRs will cause the whole nature of advertising to change," says DFS associate director of electronic media, Erica Gruen. "There will be a shift from intrusive to non-intrusive properties as advertisers develop new formats and incentives for people to watch commercials. VCRs will alter some of the basic premises of what tv advertising is," she declares. Steve Fajen, senior vice president and director of media for Compton Advertising, which projects a 60% penetration by 1995, concurs. "The structure of commercials as they currently exist will change. What we are looking at is careful integration of commercials which will be entertaining, effective and non-obtrusive."

By Needham, Harper and Steers reckoning, VCR owners are a potent "core" audience for advertisers. "There's a new growing reserve of audiences comprised of people taping and playing back which gives long life to tv programs. That's a plus value from the advertiser perspective but it could also change the thrust of commercials to appeal to a different type of viewer," believes NHS executive vice president Richard Anderson. As an example, he cites a potentially expanded audience for daytime soaps, which could include women working during the day who set their VCRs for afternoon taping. The caliber and content

"There's a new growing reserve of audiences comprised of people taping and playing back which gives long life to tv programs. That's a plus value . . ."

RICHARD ANDERSON,
Executive vice president,
Needham, Harper, Steers

of daytime soap commercials would change, therefore, to appeal to those women with higher personal disposable incomes. "Time shifting and zapping is overwhelmingly used and this will precipitate the need for commercials to have a second dimension — entertainment," he adds. Commercials, will have to take on the texture of entertainment possibly a vignette form, such as those used on broadcast by Bud Light and Miller Lite. "They've got to have a life of their own to sustain themselves on tv or in made-for-VCR programs."

"It's going to take an entrepreneurial spirit to take advantage of VCR opportunities. Creatives and media people are going to have to work more closely than ever."

JEFF LAWENDA,
Chairman,
Chelsea Communications

Jay James, senior vice president of Doyle Dane Bernbach, agrees that VCRs could offer a large scope for advertisers given appropriate re-formulating. He is recommending to clients that programs themselves be commercials and that direct ads be positioned within the context of a subject-related network or program. For example, DDB will be producing a series of magazine-type programs for its client Weight Watchers, to be used on the cable network, *Lifetime*, which will then be edited into a videocassette series and sold through Weight Watchers' salons.

In a similar vein, Ron Kaatz, U.S. director of media concepts for J. Walter Thompson, is recommending that clients look into the how-to market which appears to be compatible with VCR use. "VCRs can have educational opportunities for selective products," he claims, emphasizing the need for subject tie-in to commercials. He notes, as examples, the possibility of Atari producing a VCR show on home computers or Kodak a show on great photography by women.

Many advertisers who approached cable with pioneering gleam in their eyes are also venturing into VCRs as a new frontier. Clorox, which is producing *Seeing Stars* on USA is exploring infomercials and instructional programing for VCRs. Bob Bolte, Clorox's director of media services, is bullish on that technology. "I wouldn't be surprised if VCRs replace cable as an advertising vehicle," he asserts. "As we become more of a visual society, advertisers will have to devise appropriate formats to capture viewer attention. Tailoring to the medium could be expensive, but the benefits of targeting an audience on VCRs could be greater than on cable," he claims.

Owens Corning, which for the past three years has been underwriting the 26-part "This Old House" series on PBS, may tape sections of that show for a do-it-yourself videocassette. "A better informed public is a valuable precedent to buying our products," says marketing communications manager for the Interiors Division Glen Osborne. "VCRs can be an entertaining and marketing medium."

James Spaeth, group manager, strategic planning and research for General Foods, which produced "Women's Day USA" on the USA network (1982-83), considers VCR use for advertisers an "intriguing possibility for service programing that shows some product application or product benefit." However, Spaeth is primarily concerned about the inclusion of VCR tuning in the Nielsen rating measurement, a practice he claims "misrepresents advertising value." Zapping is

Strangers In Paradise

San Diego. It's Paradise — in more ways than one. San Diegans revel in its temperate climate and style of living. But those who have products to sell, relish even more its $20 billion worth of buying power! And that's just the income from those who live here.

Each year, we have thousands of strangers who flock to Paradise. Last year alone, they spent over $1.4 billion in San Diego. That amount promises to go even higher with this summer's Olympic games and the planned opening of a new convention center in 1985.

How can you reach Paradise? Simple. Buy The San Diego Union and The Tribune. They reach 55 percent of all adults in San Diego in just one daily combination. What's more, you can reach 84 percent of the $35,000+ households in a five-issue campaign.* The basic Los Angeles buy just can't do that. In fact, The San Diego Union and The Tribune deliver eight times the penetration of any Los Angeles newspaper in San Diego.

So make sure *you* aren't a stranger in Paradise. Reach the residents and those who'd love to stay by advertising in The San Diego Union and The Tribune.

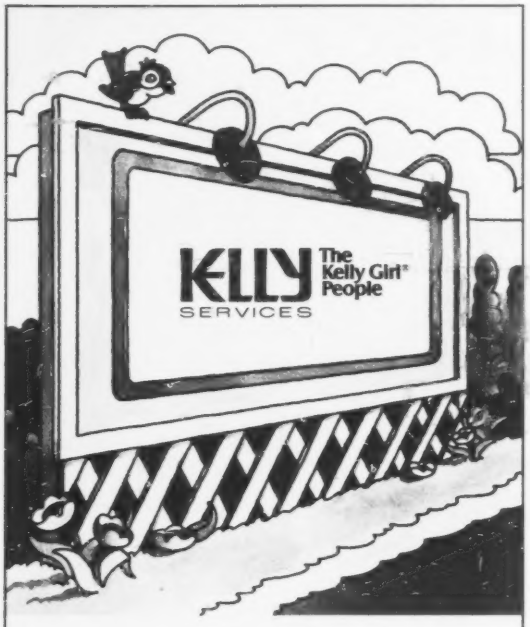
The San Diego Union
The Tribune

Member of Newspaper
Represented nationally by Sawyer-Ferguson-Walker

*1983 Scarborough Study

Kelly Marketing checks billboards for America's largest outdoor advertiser.

©1984 Kelly Services, Inc.



Now what can Kelly do for you?

When a national company wanted to know if their cross-country billboard buy was effective, they found Kelly Marketing a cost-effective answer across the board. Kelly monitored thousands of postings–on billboards and bus cards–in over 70 locations. Without overhead! Without overtime! Without costing their sales force time!

The Marketing Division of Kelly Services has qualified temporary help to manage just about any routine marketing task you might have–just about anywhere. With 460 branch offices across the U.S. and our exclusive Video Training Network, we can teach qualified people to handle even detailed assignments.

And you're assured satisfaction with Kelly's 100% guarantee!

For more details on what Kelly Marketing can do for you, call or write Bob Williams, GPO Box 1179, Detroit, Michigan 48232, (313) 362-4444.

KELLY SERVICES The Kelly Girl® People

VCRS

costing General Foods at least $1 million in network audience loss annually, says that company's director of media services Dave Braun. Such a fact should be rationale enough for Nielsen to change its measurement practice, claims Braun. "Given the evidence that at least two thirds of VCR off-air recordings are played back without commercials, the current practice of including VCR reception in Nielsen ratings does not clearly indicate advertising value," asserts Spaeth. "Ratings should only reflect what

"VCRs touch on all the villainous elements representing the most legitimate concerns as to how tv is viewed and the ability to measure viewership.

comes out the front end of the television." At the prompting of five of its other clients, in addition to General Foods, Ted Bates is asking Nielsen to stop including VCR tune-in data and start measuring audiences for commercials as well as for programs, which is now technically feasible. Nielsen executive vice president William S. Hammill says he's looking into the request.

In addition to program possibilities, VCRs could offer investment opportunities, claims Jeff Lawenda, chairman of Chelsea Communications, a packager and marketer of tv programs for advertisers. Emphasizing the aftermarket consideration as incentive for advertiser participation, Lawenda notes, "The ownership advantage could generate ancilliary revenue. Advertisers could, for instance, own a percent of the video right of a cable or broadcast program they are sponsoring and then use those revenues to experiment with VCR commercials," he suggests. Creative and media people at the agencies will have to work more closely than ever to make commercials "both appealing and informative," Lawenda says. "It's going to take an entrepreneurial spirit, similar to that required when advertisers got into cable as programers." *Judith Reitman*

second and third quarters in part because "advertisers, the more savvy ones, recognize that viewing of independent stations is greater in second and third quarters because at that time two thirds of the affiliates programming is reruns, and viewers make a shift then and watch more independent television."

INTV asserts that it will be doing much more with its BAR data than just peddling it around town. INTV has defined target categories, "Many times we would walk into agencies and hear them say that they did not have any problems with independent stations. And we had no way of saying, 'oh yes you do.' Now we're able to specify who the problem advertisers are and find out what the client's objections and reservations actually are," Kamin explains. INTV has a hit list of 25 product categories that are underspending on independent stations among them financial services, airlines, telephone companies, car rentals and leasing firms, computer companies, newspapers, department stores, car makers and discount department stores.

In addition, the association has formed a Representative Advisory Committee, which will have the national rep firms using the new BAR data plus Simmons product-use information and Cluster-Plus geodemographic data in their joint presentations to agencies.

INTV will also be making a new major presentation, "Why Minimum Rating Point Restrictions No Longer Serve Advertisers' Needs," a pitch for the cume concept, which INTV says is beginning to catch on at major agencies. The cume concept approach involves selling packages of low-rated spots for a discount.

While some of the majors, notably Benton & Bowles, do not buy the cume concept, others such as Ogilvy & Mather, BBDO and Cunningham & Walsh do prescribe by it. Benton & Bowles' Phil Guarascio, senior vice president, director of media management, explains, "I'm not a big fan of the cume method, it gets in the way of the negotiation process and we prefer average quarter-hour ratings." He notes that while he is opposed to the cume principal in general, he does give credit to INTV for exploring new ways to execute tv spending. "Believe me, we spend $150 million in spot tv a year at this agency and we don't labor under the indy station stigma. Most of the major advertisers spend a ton in fringe time periods and its does not make any difference whether they're indies or affiliates, but rather what the programing is and what's its going to do."

Leo Burnett, in Chicago, has no agency policy regarding the cume method. Willard Hadolock, vice president, media, says the agency simply "tries to buy the best spots at the lowest cost. The indies complain that advertisers sometimes overlook them — well, indies are paranoid and they have been for a long time," he says. "From our point of view, it doesn't matter if its an independent or affiliate station, but which is the better programing and better numbers."

But it is somewhat surprising that after 20 years, some agencies still feel the way they do about independent tv, points out B&B's Guarascio. "Especially considering how some of those agencies embraced some of the shakier cable networks with relative ease, but would not accept indies."

There are a lot of theories as to why that stigma still exists. One is just lack of marketing expertise, and another, the number of new advertisers in television who believe they need network television for early and fast impact. "The new advertisers, like the computer companies all want to be on shows like *Dynasty* or late night news, and that's understandable, but they

II — TOP 25 SPOT TV ADVERTISERS INDEPENDENT STATION USAGE

JANUARY-MARCH 1984

COMPANY	TOTAL SPOT TV EXPENDITURES ($000)	INDEPENDENT SHARE OF SPOT TV (PERCENTAGE)	INDEPENDENT EXPENDITURES ($000)
1. Procter & Gamble	51,028	68	34,699
2. General Mills	16,259	79	12,845
3. Lever Bros.	15,293	35	5,353
4. General Foods	14,860	59	8,787
5. Pepsico	13,806	43	5,937
6. A. H. Robins	12,096	55	6,653
7. Nissan Motors	11,771	33	3,884
8. Warner-Lambert	10,906	81	8,834
9. Time, Inc.	10,737	54	5,798
10. Toyota Motor Sales	10,619	38	4,035
11. Ford Motors	9,872	28	2,764
12. Mars, Inc.	9,690	63	6,105
13. Dart & Kraft	8,944	45	4,025
14. General Motors	8,652	27	2,336
15. Kellogg Co.	8,530	75	6,398
16. Anheuser-Busch	8,391	83	6,965
17. American Home Prod.	8,280	50	4,140
18. Coca Cola Co.	7,582	54	4,094
19. Nabisco Brands	7,182	49	3,519
20. Colonial Penn Group	6,766	43	2,909
21. Beatrice Foods	5,892	22	1,296
22. Richardson-Vicks	5,723	43	2,461
23. Trans World Corp.	5,719	18	1,029
24. Triangle Pubs.	5,516	59	3,254
25. MCI Communications	5,496	31	1,704
Top 25	**$279,610**	**54%**	**$149,824**

Source: TVB: Barcume, January-March 1984
BAR Special 15-Market Tabulation for Independent Shares

III — TOP 20 SPOT TV CATEGORIES INDEPENDENT STATION USAGE

JANUARY-MARCH 1984

COMPANY	TOTAL SPOT TV EXPENDITURES ($000)	INDEPENDENT SHARE OF SPOT TV (PERCENTAGE)	INDEPENDENT EXPENDITURES ($000)
1. Food & Food Products	183,757	44	80,853
2. Automobiles	135,507	30	40,652
3. Confectionary & Soft Drinks	51,312	58	29,761
4. Toiletries & Toilet Goods	48,948	52	25,453
5. Travel, Hotels & Resorts	48,794	20	9,759
6. Proprietary Medicine	44,851	55	24,668
7. Consumer Services	42,670	25	10,668
8. Publishing & Media	37,215	43	16,002
9. Soaps, Cleaners & Polishes	32,636	56	18,276
10. Household Equip. & Supplies	29,223	47	13,735
11. Beer & Wine	28,016	48	13,488
12. Insurance	22,018	43	9,468
13. Apparel, Footwear & Accessories	20,929	47	9,837
14. Gasoline, Lubricants & Other Fuels	17,231	30	5,169
15. Home Electronics Equipment	15,843	58	9,189
16. Pet Foods & Supplies	13,152	43	5,655
17. Office Equipment, Computers & Copiers	11,747	23	2,702
18. Sporting Goods & Toys	10,343	82	8,481
19. Agricultural & Farming	8,537	16	1,366
20. Jewelry, Optical Goods & Cameras	7,236	63	4,559
Top 20	**$809,965**	**42%**	**$339,701**

Source: TVB: Barcume, January-March 1984
BAR Special 15-Market Tabulation for Independent Shares

need to be educated," maintains Dick Block, executive vice president of television and news at Metromedia. Metromedia just went on the air July 30 with its new indy KRLD-TV, Dallas, the sixth indy in that burgeoning sunbelt market.

Over at WNOL-TV, the new indy in New Orleans, which signed on last March, station manager Hal Protter offers another theory. "Agencies still resent how outfits like U.S. Media and other buying services 15 years ago could buy bulk time for 40% cheaper than they could. To protect themselves, then, agencies would not include indies on the media schedules," asserts Protter.

The worst category by far for buying independents, according to Protter, is lawnmower manufacturers, "who may know a lot about blades but nothing about marketing." Automobile companies used to shun indy stations too, but that situation has improved in the past five years, he says. "Chrysler was a big problem until a Lever Bros. executive with packaged good marketing experience came on the scene," he recalls.

Even though independent television is on its ascendency and "has broken through the barriers, becoming more accepted with new generations of viewers and advertisers," there are some clouds on the horizon.

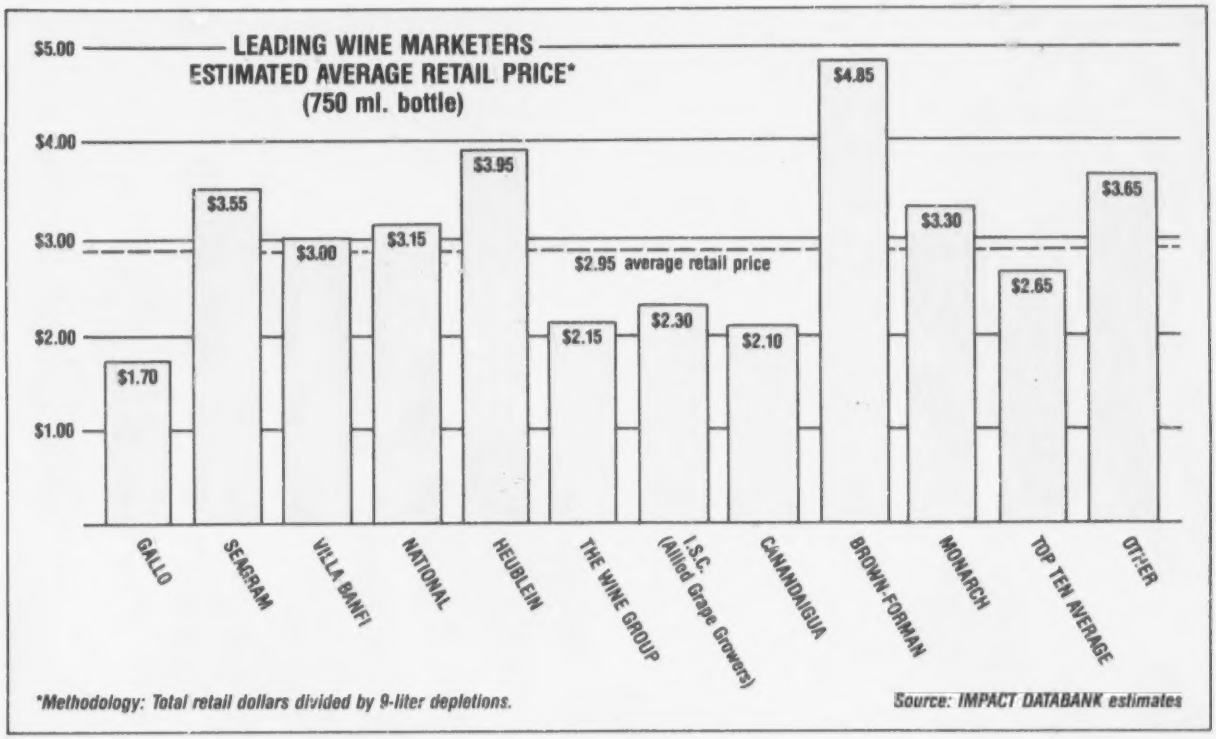
INTV's Land refers to an imminent battle over the National Collegiate Athletic Association's broadcast rights. When the Supreme Court declared last June that the NCCA's $281.3 million worth of contracts with ABC, CBS and Turner Broadcasting System violated antitrust laws, the independent stations presumed they could now enter into the bidding for the games. "It appears that the big 10 are now entering into agreements with ABC in particular which are duplicating to some extent the very patterns of antitrust behavior that the Supreme Court overruled. The association is studying the matter and may soon take legal action," Land says.

On another front, the continuing problem with cable copyrights remain unresolved, as independent tv stations coming on experience difficulty in getting picked up on cable systems. INTV is pushing for future legislation that would recognize exlusivity and must carry.

Yet another problem on the horizon, is what impact changes in the new tax laws will have on the growth of independent television business. Entrepreneur Hal Protter at WNOL-TV in New Orleans worries that if the new laws tighten up limited partnership deals making it harder for investors to write off risks, independent station ownership won't be nearly as attractive.

And if all that weren't enough, INTV is waging a grass roots effort against local prohibition movements springing up across the country. In mid-summer a group of state legislators met in Boston to vote on a measure prohibiting beer and wine advertising during prime time programing. The issue was defeated 26 to 3, but the INTV is enouraging its member stations to step up their efforts in public services to educate on abuse of alcohol.

Marianne Paskowski

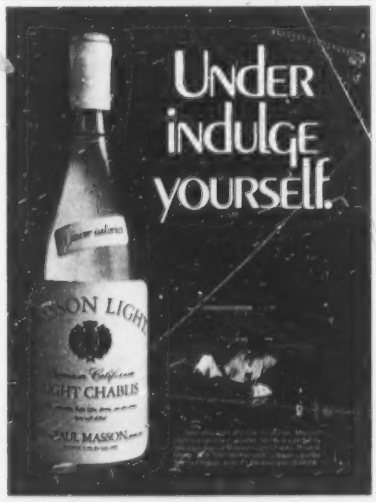


though, sees some hope. "Three weeks of hot weather have caused a grape skin shatter problem, which could reduce the crop," he thinks. Although it's early, we note prices for Thompson seedless and Burger grapes are slightly higher than last year."

To spur sales, discounting has become the favored merchandising tool. Gallo is selling for $5 a 4-liter jug, about a 25% reduction. Almaden and Inglenook brands are both on sale. Even Seagrams has been forced to cut prices on some of its brands — mostly the already lower-priced TCC. Taylor's liter and a half-sized bottles are being sold with necktags proclaiming a $1.50 rebate offer. At Walgreen's in Chicago, the retail price is $10 for three, and at Home Liquors in New Jersey, the cost is $3.79 a bottle. Final cost to the consumer could be as low as $1.75 for 53 ounces. And a recent coupon program in California featured the four major Seagram brands — TCC, Masson, as well as the two imports, Parteger and Black Tower.

But Seagram contends that expanded volume at the expense of price is not the only rationale for couponing and rebates. A company official notes that these techniques give retailers good reasons to expand the facings of the brands, and also encourages consumer trial of the product.

"Seagram has the personnel to do a first rate job, and they are long-term oriented in their approach. Their distribution is the best in the business."



Retailers say the Seagram lineup is enjoying a good summer. Gerald Schneider, wine and spirits buyer for the Walgreen's drug store chain in Chicago, reports that "the Seagrams sales force is certainly being aggressive." He places both Masson and TCC among the top six sellers, with Gallo, and Carlo Rossi holding the number one and two positions. Safeway's Hughes tracks TCC as the chain's third best seller, in tight competition for the second slot with Almaden. Gallo, naturally, is the top mover. "Paul Masson," says Hughes, "is coming up."

Coke's strategic positioning for Taylor has worked so well that Seagram is continuing the last campaign created by Kenyon & Eckhardt for the brand. Copy stresses, "wine of extraordinary quality at an affordable price." Although Seagram is pondering new ad strategies, Maher has said, "It seems that the old strategy was very successful in building Taylor California Cellars. We see no reason to change it." So far, K&E retains the business despite a six month review of the marketing advertising strategy by the client.

The positioning for Paul Masson, on

the other hand, involves some snob appeal and a subtle claim for aged-in quality. Two years ago the stately British actor John Gielgud replaced the ample Orson Wells as spokesman for the brand, to provide a genteel form of association. Creative for Doyle Dane Bernbach's campaign continues to utilize the line, "We will sell no wine before its time."

Media expenditures for Paul Masson, according to Doyle Dane Bernbach account supervisor Virginia Perry, will continue in the range of last year's $7.1 million. Of that, about 95% goes into television.

This year, Seagram will spend in the area of $30 million for all its brands, which compares favorably with an estimated $33 million Gallo outlay — although the brothers will be putting $27 million going into their flagship brand. Overall, the Seagram Wine Company is spending competitively with Gallo for its share of the business in terms of retail dollars. But Gallo has six brands to support as compared to 18 for Seagram. Consequently, Gallo is able to saturate television and develop enormous presence, while Seagram must spread its media investment across four major entries. Seagram will spend on Taylor and Paul Masson about a third of what Gallo invests in the namesake brand.

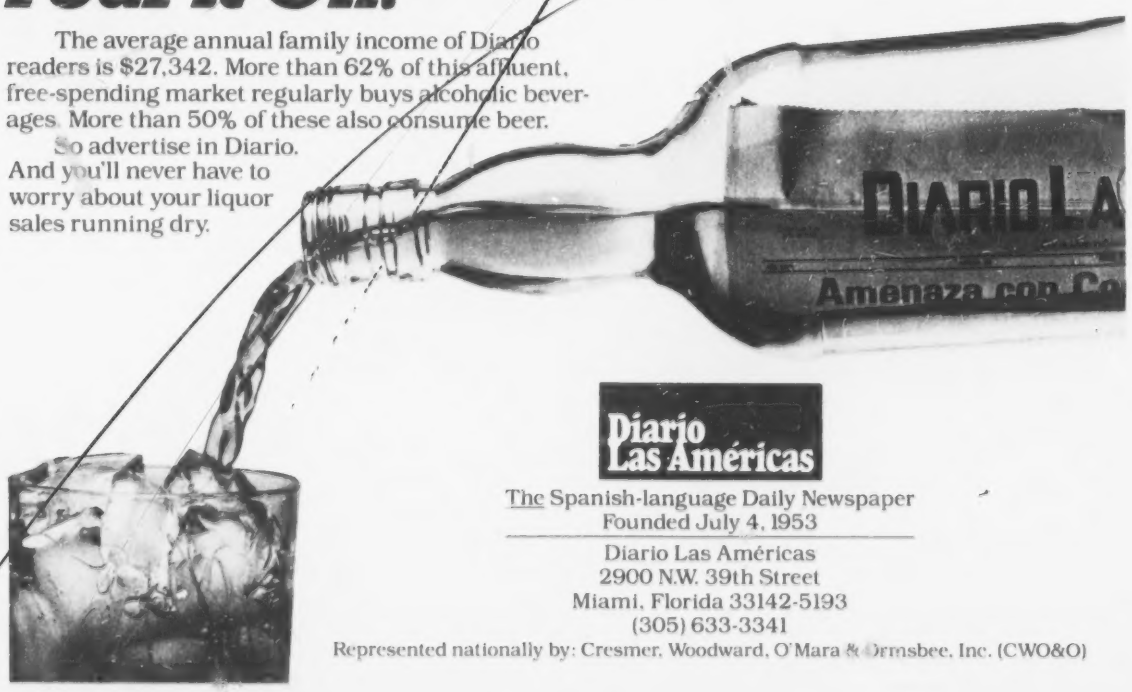
Gallo is continuing to push its aggressive pricing and volume strategy relentlessly onward, while Seagram segments, diversifies and builds. The contest in branded wine marketing is just now beginning in earnest.

Fred Gardner

Diario Las Américas Readers Pour It On!

The average annual family income of Diario readers is $27,342. More than 62% of this affluent, free-spending market regularly buys alcoholic beverages. More than 50% of these also consume beer.

So advertise in Diario. And you'll never have to worry about your liquor sales running dry.



Diario Las Américas

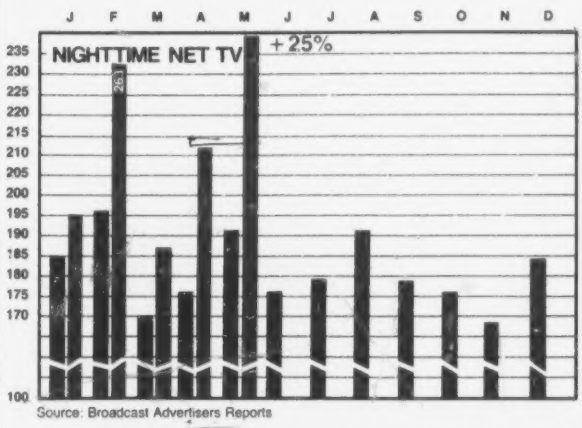
The Spanish-language Daily Newspaper
Founded July 4, 1953

Diario Las Américas
2900 N.W. 39th Street
Miami, Florida 33142-5193
(305) 633-3341

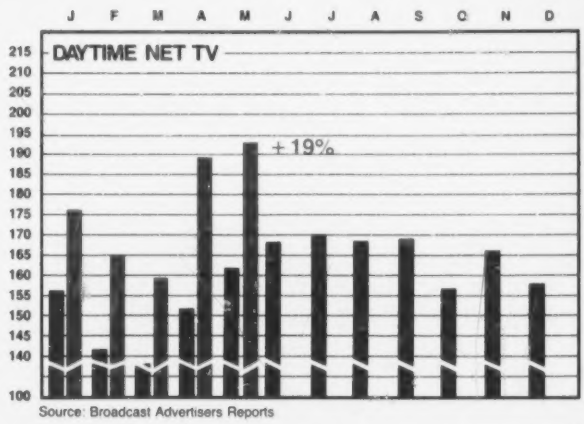
Represented nationally by: Cresmer, Woodward, O'Mara & Ormsbee, Inc. (CWO&O)

MEDIA COST INDEX

Black bars index for 1983; color bars 1984; base year 1977



Source: Broadcast Advertisers Reports



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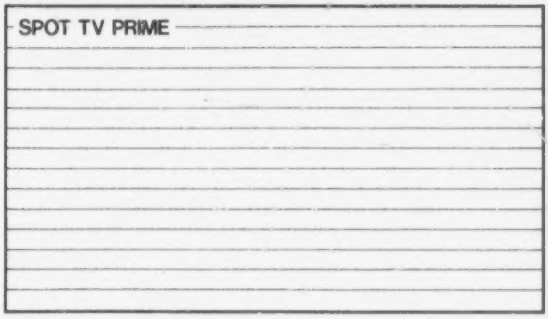

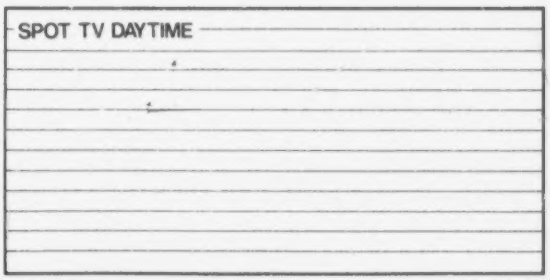

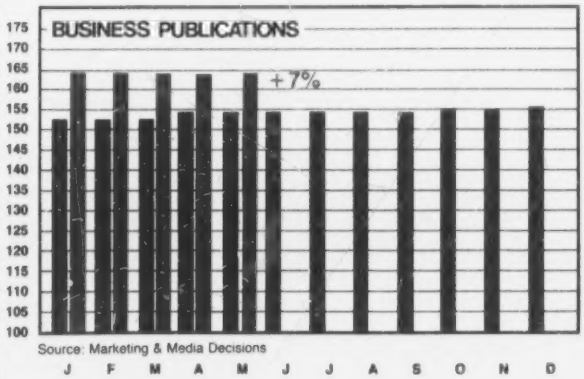

Source: Marketing & Media Decisions

Decisions' annual Forecast of Media Cost for 1984 (M&MD Fall Special, P. 28) is holding up rather well in relation to what increases have occurred. That is, if one does not look at the broadcast media, the most difficult segment to try and evaluate in advance.

In the **network tv** categories, forecasts of 8-9% increases have been overshadowed by reports of 12-25% increases in **daytime** and 10-34% (Olympics) in **nighttime. Network radio's** increase was estimated at 9%, a level that has not even been approached in the first five months as mostly negative changes have been reported. **Spot radio's** first report of +20% for the first quarter is well ahead of the forecast of 8.7%.

In print media, only **supplements** have been running contrary to what the media experts have forecast — up 17-22% against an esimate of 7.9%. **Business papers,** forecast at 7.3%, have been coming in on target. **Outdoor,** forecast at 9.8%, is also on target. **Consumer magazines,** running at about +8%, are close to the forecast of 9%. **Newspapers'** report of gains of 9-11% should average to the forecast of 9.3%.

The Media Cost Index reflects trends extracted from available sources. This analysis uses standard competitive report sources to develop comparable costs that reflect monthly cost trends by medium. Where industry competitive sources are unavailable, selected cost data from SRDS are sampled.

Sources: **Nighttime Network TV** — Cost per average 30-second spot, 7:30-11 p.m. Monday-Saturday and 7-11 p.m. Sunday from Broadcast Advertisers Reports' (BAR) Network TV Service. **Daytime Network TV** — Cost per average 30-second spot, 10 a.m.-4:30 p.m. Monday-Friday from BAR's Network TV Service. **Network Radio** — Cost per average 30-second radio announcement from BAR's Network Radio Service. **Spot TV — prime and daytime** — Cost per 30-second spot, Monday-Sunday from BAR's Spot TV Service.

Consumer Magazine estimate based on reported SRDS cost of a page, four-color in 40 national consumer magazines, as reported by Magazine Publishers Assn. **National supplements** estimate based on published (rate cards) costs of a page, four-color for the national supplements. **Daily Newspapers** estimate based on Newspaper Advertising Bureau report of SRDS costs per agate line of a sample of 788 newspapers weighted to represent the universe. **Business Publications** estimate based on reported SRDS cost of a page, four-color in 48 publications representing 42 business and professional classifications. **Outdoor Posters** based on estimate prepared by Institute of Outdoor Advertising. **Spot radio** index represents cost of a 60-second spot in the top 100 markets from data supplied to Radio Expenditure Reports by major radio representatives.

How to read: Media Cost Index reflects latest available costs compared with base year 1977. Percent change shows rate of change from the same month in previous year.

MEDIA COST INDEX (continued)

Black bars index for 1983; color bars 1984; base year 1977